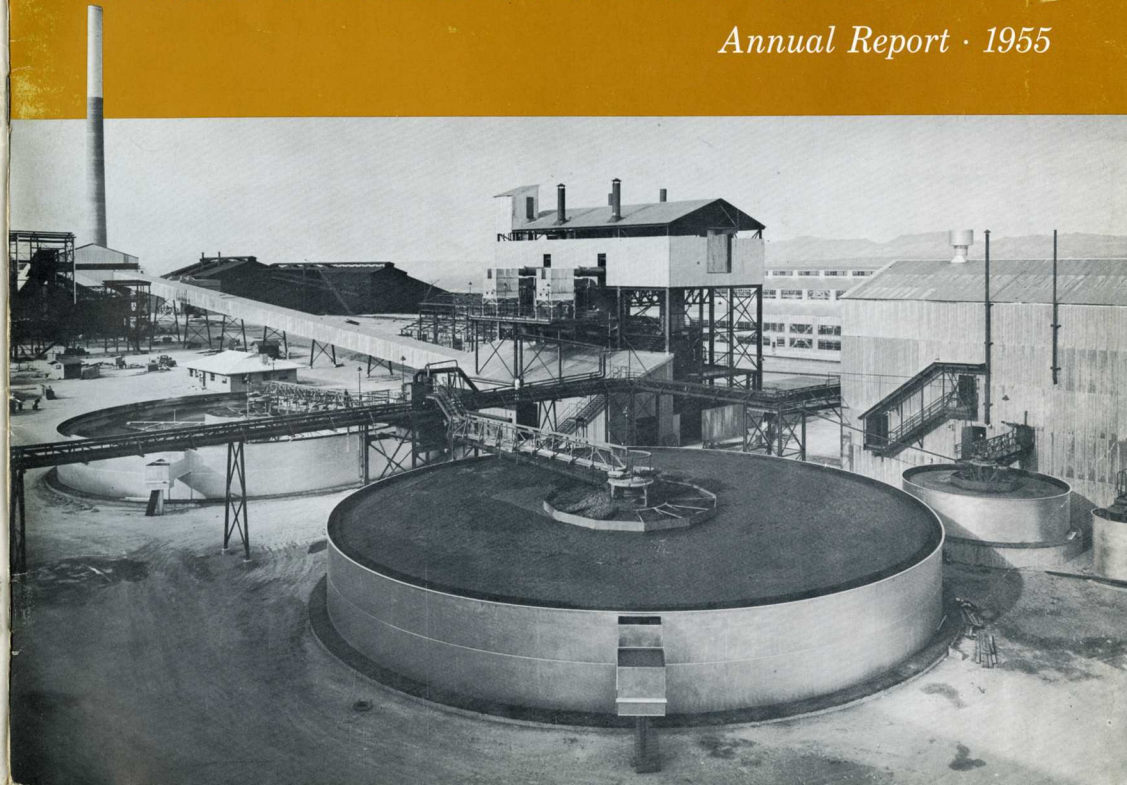


UTAH CONSTRUCTION COMPANY



UTAH CONSTRUCTION COMPANY

Annual Report · 1955



Cover: New \$59,000,000 San Manuel Copper Corporation plant at San Manuel, Arizona, showing the huge concentrate thickener tanks and the smelter and concentrate filter buildings in the background.

Annual Report

1955

UTAH CONSTRUCTION COMPANY

The largest and most modern grain storage facility on the West Coast, located on the San Joaquin River, Stockton, California. This facility was constructed by Utah Construction Company and has a capacity of 3,000,000 bushels. The head house is equivalent in height to a twenty story office building.



ENGINEERS  CONTRACTORS

UTAH CONSTRUCTION COMPANY

TO OUR STOCKHOLDERS:

For the fiscal year ending October 31, 1955 Utah Construction Company continued to prosper. Earnings for the parent company increased over those of the preceding year, but the company's share of the undistributed earnings of other companies in which it holds an interest declined. For this reason our overall results were below those of last year.

PARENT COMPANY

Net profits before taxes and profit sharing were \$2,478,062, a gain of \$752,513. Greater income from mining and higher dividends from affiliated companies more than offset lower construction income.

After provision for the Retirement Plan Based On Profit Sharing and provision for income taxes, the net profit for the parent company amounted to \$1,737,549, equivalent to \$1.98 a share. This compares with \$1,115,549 or \$1.27 a share for the preceding year.

Not included in net profits for 1955 was a net addition to surplus of \$956,846 arising from revaluation of our equipment to conform to a tentative agreement reached with the Bureau of Internal Revenue on depreciation rates allowable for the years 1951 through 1954. Adding this adjustment to parent company net profits brings the total additions to surplus to \$2,694,395 or \$3.07 a share. This is an increase of \$1,578,846 over the preceding year.

Dividends in 1955 of 90 cents in cash and 1/100 of a share of Permanente Cement Company stock were distributed to shareholders.

Net worth at the close of the year amounted to \$18,763,113 or \$21.38 a share. This compares with \$16,929,608 or \$19.29 a share at the close of the preceding year and is based upon our investments in other companies being valued at cost rather than their indicated values, which would be approximately \$10,000,000 higher than our company cost.

SUBSIDIARY AND AFFILIATED COMPANIES

Our company's share of the undistributed earnings of subsidiary and affiliated companies in which we have investments amounted to \$710,029 after allowances for dividends paid and for taxes payable upon the undistributed earnings. This is equivalent to 81 cents a share of Utah Construction Company stock and compares with \$2,845,659 or \$3.24 a share for the preceding year. The causes for this decline in earnings were primarily decreasing profits in foreign mining companies and in construction affiliates engaged in residential housing and are discussed in more detail elsewhere in this report. The decrease in profit levels for foreign mining took place in the early months of the fiscal year, was quickly arrested, and profits were restored to more normal levels by the year end.


OVERALL RESULTS

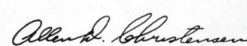
The total of the addition to surplus of the parent company and its share of the net earnings of its subsidiary and affiliated companies is \$3,404,424 or \$3.88 a share of Utah Construction Company stock. This is a decline of \$556,784 from last year or 63 cents per share. However, the enhancement in market value of our remaining holdings of Permanente Cement Company stock was equal to \$1.35 a share of Utah Construction Company stock.

During 1955 Utah Construction Company was unusually successful in its efforts to acquire new work and closed the year with the highest back-log of uncompleted contract volume in its history. We have every reason to anticipate that our work portfolio will increase construction income in the coming year.

No enterprise can continue to grow and to prosper without the support of loyal and efficient employees or the confidence of those who have need of the goods or services offered. We are again deeply indebted to those who have favored us with their business and to our employees who have discharged their responsibilities ably and well.

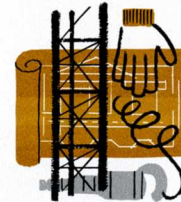
Respectfully submitted,


MARRINER S. ECCLES,
Chairman of the Board


ALLEN D. CHRISTENSEN,
President and General Manager



Left to right: A chronological photographic record of seven consecutive days' progress in the slip form concrete construction phase of the vertical silos at Stockton, California. The head house in the background is the tallest structure of its kind in the San Joaquin Valley.

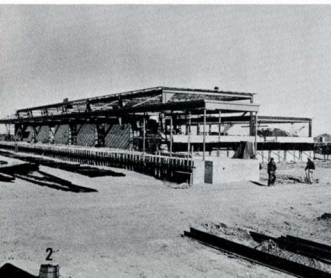


CONSTRUCTION

Right: Aerial view of a modern walnut processing plant designed and being constructed by Utah Construction Company for the California Walnut Growers Association at Stockton, California. When completed the project will embrace 53 acres of plant site. 586,000 square feet of building floor space is shown in this photo.



Below: Near St. Louis, Missouri, Utah Construction Company is constructing in joint venture with Frueh-Cronon Construction Corporation extensive facilities for the Atomic Energy Commission.



Right: A view of zinc oxide plant expansion construction recently commenced by Utah Construction Company for American Smelting & Refining Company at Corpus Christi, Texas. Our company also built the plant originally.



During 1955 Utah Construction Company directly or through joint ventures and subsidiary companies continued to perform a wide range of construction work in the United States and abroad. Construction performed during the year included the building of dams, power plants, office buildings, tunnels, industrial plants, mills, atomic energy installations, railroads, commercial buildings, contract mining and stripping, grain elevators, hospitals, food processing plants, military and naval installations, public and private housing, and harbor work.

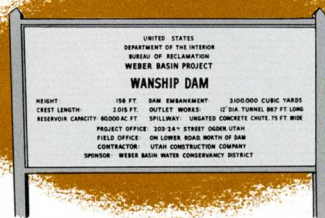
Since mid-1953 our backlog of uncompleted work on hand steadily declined until the end of the first quarter of 1955. Because of this trend we began the year 1955 with a lower volume of uncompleted work on hand than your company had experienced for some time. As a result construction volume in the first nine months of the fiscal year was relatively low. While volume increased rapidly in the last quarter, construction income did not increase commensurately because of the heavy expenses ordinarily experienced in getting new work under way. As a result of these factors construction income declined below the levels of the preceding year.

This was also true in the case of our construction affiliates operating in the United States. These companies are entirely concerned with residential construction and reported substantial profits in 1954. The large projects on which they were working were completed during that year. Their

profits on new work were very small in 1955. Dividends paid in 1955 exceeded earnings for that year, so that these companies caused us to report a decrease in our share of the undistributed profits of subsidiary and affiliated companies.

The declining trend in our backlog of work was reversed at the end of the first quarter of 1955 and thereafter the Company enjoyed unusual success in obtaining new work. The Company ended the year with the highest backlog of uncompleted construction work in its history. The mere size of the work backlog is not necessarily a measure of the profits it may produce, for it can be inflated by the inclusion of contracts of the type which produce large gross revenues but small gross profits such as cost-plus-fixed-fee contracts for military or Atomic Energy Commission installations. Building contracts also tend to carry lower profit margins in relation to gross revenues than do heavy engineering contracts where the risk is commensurately greater.

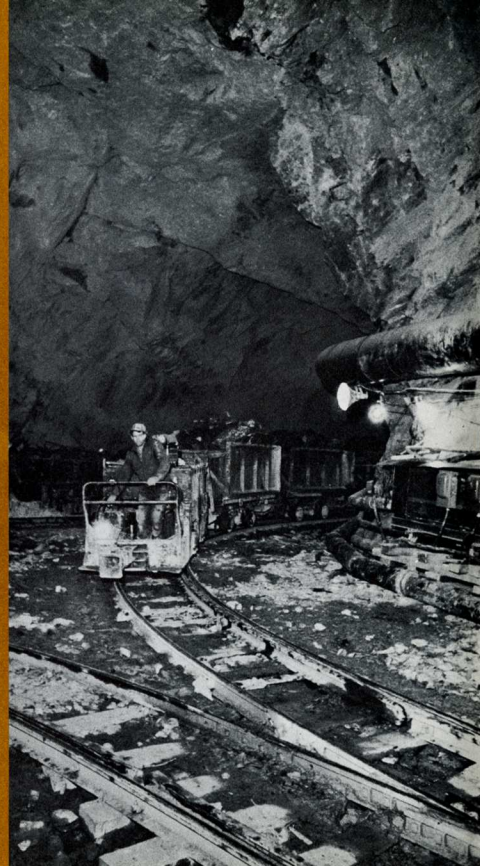
Your management feels that our portfolio of construction contracts on hand at the end of the year is well balanced both from the standpoint of the types of risks involved and the periods of time during which the work must be performed. It includes a substantial proportion of long-term contracts as well as short-term contracts and is diversified by types of work and by the countries in which the work must be performed. We are hopeful that it will produce over the next several years profits commensurate with its size.





Left: Concrete placing equipment operating inside a Western Pacific Railroad tunnel near Chilcoat, California in connection with tunnel rehabilitation work being performed by Utah Construction Company. A similar project is under way in a tunnel at Keddie, California.

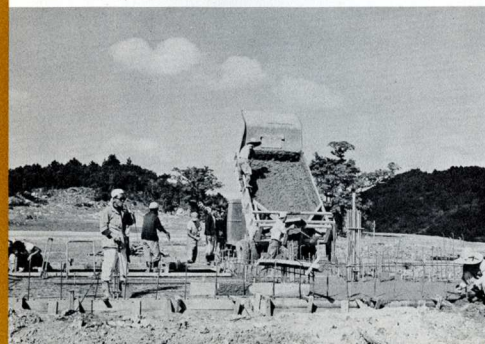
Below: Cable way for personnel transportation to the job site of Poe Tunnel construction being performed in the Sierra Nevada Mountains for Pacific Gas & Electric Company near Oroville, California by a joint venture sponsored by Utah Construction Company. Right: Battery powered muck train emerging from Poe Tunnel orifice with tailings from tunnel drilling operation.



Utah Construction Company has been engaged by the South Korean government to render engineering advisory services in connection with the country's

railroad rehabilitation program. Above are examples of the daily contrasts of near primitive and modern methods of construction characteristic of this project.

At Okinawa Utah Construction Company is a participant in a joint venture constructing \$9,000,000 of U. S. Air Force housing units ordered by the U. S. Corps of Engineers. Here native laborers are placing concrete floor slabs for this project.



Foreign Construction Activities

During 1955 Utah Construction Company directly or through wholly owned subsidiaries or joint ventures was active in Canada, Mexico, Panama, Colombia, Peru, Guam, Okinawa, Korea, Australia, Tasmania, and France. The volume of foreign construction work was well maintained in relation to the preceding year. Parent company profits from this source, including joint ventures, increased \$172,000 over last year.

Foreign construction work during 1955 was performed principally by three wholly owned subsidiaries. The wholly owned subsidiaries earned approximately \$475,000 in 1955 compared to \$460,000 in 1954. Dividends of \$25,000 were paid during the year, and any remaining surplus funds of these companies were applied to repayment of advances from the parent company. As of October 31, 1955, our investment in subsidiary companies was \$3,104,580, a decrease of \$1,082,230 from the preceding year.

Among the more active foreign subsidiaries are:

Compania Utah, S. A., a wholly owned subsidiary, is employed on several harbor development projects contracted for by the Mexican Navy Department totaling over \$5,000,000. At the right is a view of the breakwater construction being performed by our subsidiary at Mazatlan.



Far left: Big Eildon Dam, near Melbourne, Victoria, Australia built under sponsorship of Utah Construction Limited at a cost of \$38,000,000 for State Rivers and Water Supply Commission.



Upper left: Completed 120,000 K.W. power house building constructed in connection with Big Eildon Dam. Lower left: View of stilling basin down stream from Big Eildon Dam constructed to maintain steady flow of water.

Utah Co. of the Americas, a Western Hemisphere Trade Corporation, was engaged in residential and office building construction in Canada, highway construction in Colombia, and construction work for Marcona Mining Company in Peru.

Compania Utah, S. A., a Mexican corporation, performed harbor work at Guaymas and Mazatlan, and paving work at Obregon.

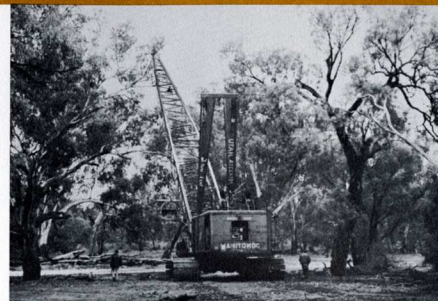
Utah Australia Limited, a Nevada corporation operating in Australia, was formed during the year to conduct continuing construction activities in Australia and related areas. The company has been successful in acquiring a good backlog of work in Australia including contracts for the construction of a large shell loading plant, tunnel work, industrial plant construction, and dam construction.

Utah Construction Company also owns a 12.25 per cent interest in Utah Construction Limited, an affiliated company which has been sponsoring a joint venture for the construction of the Big Eildon Dam in Australia. This dam was completed during 1955 and today is the largest dam ever completed in the Southern Hemisphere. The company has operated profitably and has disbursed approximately 75 per cent of its earnings each year to its stockholders. The company will be liquidated as rapidly as conditions permit, probably before the end of 1956.

Utah Construction Company or its subsidiaries also participated in joint ventures concerned with military and naval installations on Guam, railroad rehabilitation in Korea, military housing on Okinawa, and a large earth-filled dam in France which was awarded to our group shortly before the close of the year.

Foreign construction work carries added hazards over domestic construction and on the average brings with it greater percentage profits commensurate with the extra risks. We have achieved some degree of protection by diversifying our foreign construction work among a number of countries so that we are less vulnerable to adverse political or economic development in any single country.

Right and below are two scenes in connection with harbor development at Guaymas. In one, a native workman is operating a tractor in a back-filling phase of the overall earth fill operation outlined by dikes in the lower picture. The enclosed area of water will ultimately be filled for dock and warehousing construction.



Above: A Utah Australia Limited 6 yd. dragline moves into Frenchman's Creek Canal project on the Murray River in South Australia where 1,000,000 cubic yards of earth will be moved in irrigation canal construction by our subsidiary.

Right: View of concrete spillway at Cairn Curran Dam being constructed by our subsidiary, Utah Australia Limited, in Victoria, Australia.



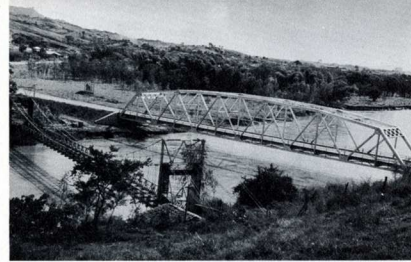
MINING

FINANCIAL

At Phoenix, Arizona a modern airplane engine testing building was completed during 1955 for AiResearch Manufacturing Co. by joint venture Utah-Kitchell-Phillips in which Utah Construction Company was a major participant.



Typical views of road construction being performed by our subsidiary, Utah Co. of the Americas, as sponsor in joint venture with local contractors for the Colombian government. Total contracts to date have amounted to \$32,500,000. The Colombian National Highway expansion includes many new structures in addition to road building such as a modern bridge shown below in comparison with the old former structure.



Land Held for Resale and Development

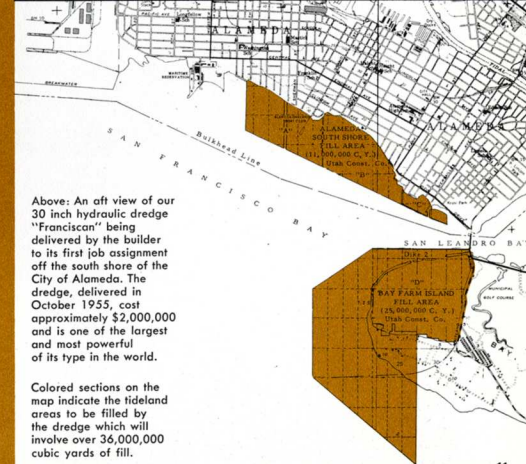
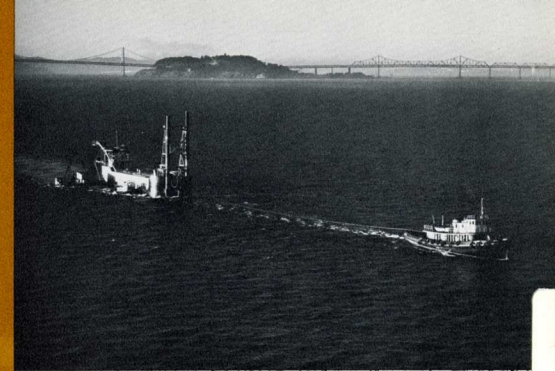
Our Annual Report for 1954 set forth in some detail the principal lands owned by your Company that are held for development and resale. During 1955 most of our activities on these projects were devoted to basic planning and to preliminary work with regard to zoning and other matters necessary to ready the lands for future development. In the case of both the Moraga and Alameda properties opposition was encountered from certain segments of the population in the areas affected.

From the standpoint of timing Utah Construction Company has felt that it should initiate large scale development on the Alameda project. To that end a contract was negotiated with and approved by the City

Council of Alameda whereby Utah Construction Company obtained the right to fill the tidelands that it owns from fill material located under waters of the San Francisco Bay and controlled by the City of Alameda in exchange for an obligation to sell certain lands to the City for public purposes at a price far below the going market value of those lands. The contract also included certain other stipulations with regard to zoning, lot size, street widths, and other matters designed to protect the interests of adjoining property owners. A minority group of citizens of Alameda which felt that its interest would be adversely affected has attempted to prevent the development and by referendum succeeded in calling an election for the purpose. We are pleased to report that at a special election the electorate of Alameda sustained our contract with the City with 26 of the 28 precincts voting in favor of our proposal. By the close of the year plans were well under way for the filling of approximately 375 acres on the South Shore of Alameda. The work will be performed for a Reclamation District by Utah Dredging Company, a wholly owned subsidiary which will employ a new 30" dredge purchased and designed for the purpose. This dredge is believed to be the most efficient of its type and capable of performing the work involved at lower costs than could be obtained in any other manner. Upon completion of the fill the land will be developed for residential and commercial purposes.

The 5,000 acres controlled by your Company in the Moraga Valley near Oakland, California, remain largely in our hands. Here, too, we were beset by opposition to our proposed zoning but we are confident that these matters will ultimately be worked out to the best interests of all concerned. During the year we sold approximately 190 acres at prices that were extremely favorable in relation to our cost and further substantiated our conviction that the Moraga lands were purchased on a favorable basis and will, over the years required to develop them, produce satisfactory profits.

During the year your Company continued to investigate possible purchase of other residential, commercial, or industrial properties that could be acquired and developed on a favorable basis. We remain convinced that continuation of a program for acquiring strategically located lands offers an opportunity for further profits for your company.



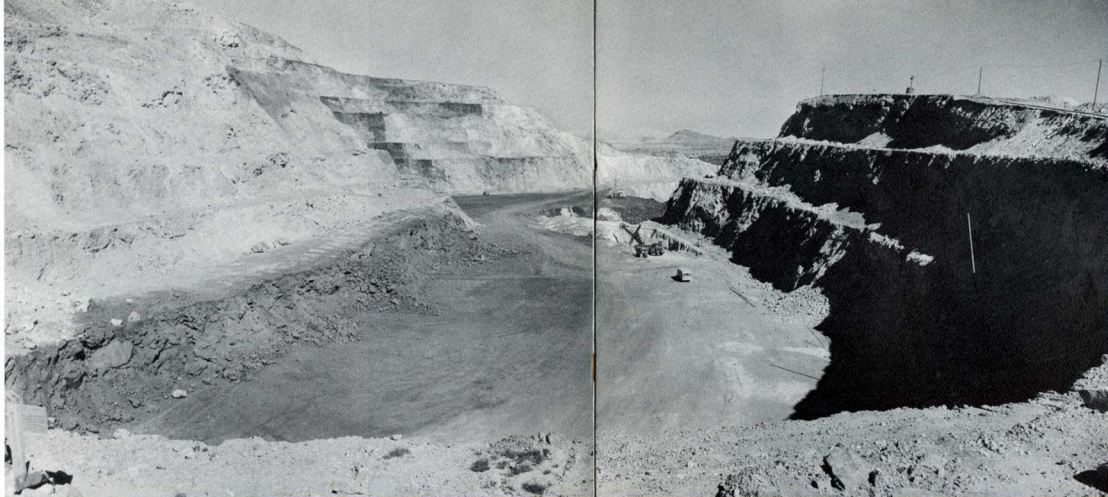
Above: An aft view of our 30 inch hydraulic dredge "Franciscan" being delivered by the builder to its first job assignment off the south shore of the City of Alameda. The dredge, delivered in October 1955, cost approximately \$2,000,000 and is one of the largest and most powerful of its type in the world.

Colored sections on the map indicate the tideland areas to be filled by the dredge which will involve over 36,000,000 cubic yards of fill.

At the right is shown the vast panorama of the iron ore open pit strip mining operation being conducted by Utah Construction Company at its Iron Springs Mine near Cedar City, Utah. During this fiscal year 506,000 tons of ore were shipped to the steel industry from this location. In the distance, and virtually dwarfed by the size of our excavation, \$402,000 worth of our equipment is at work.



For a number of years Utah Construction Company has been performing strip mining operations under contract for Colorado Fuel and Iron Corporation at the latter's open pit ore mine at Iron Mountain, Utah. Here one of our rotary drill rigs is boring blast holes to break up overburden.



MINING

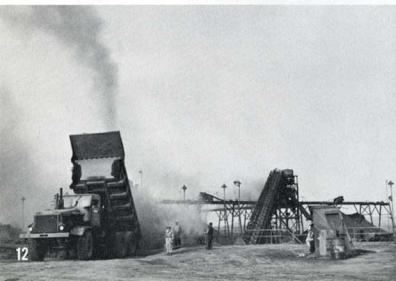
Income from mining continued to be an important factor in the net profits of the company. Shipments of iron ore from the Iron Springs mine near Cedar City, Utah, and coal shipments from the Ozark-Philpott mine in Arkansas benefited from the high operating rate in the steel industry. This enabled an improvement in profits over the preceding year from these two sources. The balance of our mining activities is carried on through subsidiary and affiliated companies. Our share of the undistributed earnings from these companies dropped sharply from the preceding year, primarily because of: (1) a lower volume of sales and shipments; (2) higher costs of ocean transportation; (3) year end adjustments attributable to last year but made after the close of Utah Construction Company's fiscal year and therefore reported during 1955; (4) dividend distributions which were conservative in relation to earned surplus but sizable in comparison with earnings for the current year.

Canadian Iron Ore Operations

In February 1955, Argonaut Mining Co. Ltd. was merged with Utah Co. of the Americas, and thereafter these two wholly owned subsidiaries were operated as one company. During the year the Argonaut mine exported its output to the Japanese market and with increased efficiency from new milling processes recorded a sizable improvement in profits over last year. Reserves are limited but exploration activity is being carried on in the area.

Peruvian Iron Ore

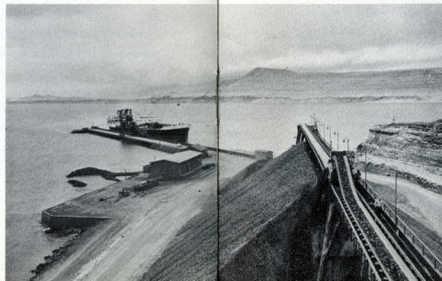
Utah Construction Company owns with Cyprus Mines Corporation



Left to right: Euclid truck dumping mined ore from the Marcona mine into the ore crusher. The mine is approximately 17 miles from the port.

View from ore screening tower looking down at the ore crushing plant of Marcona Mining Company.

View of a chartered ore carrier being loaded by conveyor belt from the port iron ore stock pile of our affiliate, Marcona Mining Company, at San Juan Bay in southern Peru, S. A.



Views of the launching of the S. S. "Harvey S. Mudd" at Yokohama, Japan in early December 1955. This is one of two sister 31,400 D.W.T. ore carriers being constructed for and owned by our affiliate, San Juan Carriers, Ltd. These ships will deliver iron ore from our Marcona properties in Peru to principal U. S. Atlantic ports. The ships will be powered by 12,500 S.H.P. Westinghouse turbines and gears manufactured in Japan and have a 16 1/2 knot trial speed and a 14 1/2 knot service speed loaded. Length 655 feet overall; Beam 87 feet; Draft 34 feet.



Far left: Near the Campbell River on Vancouver Island our wholly owned subsidiary, Utah Co. of the Americas, is engaged in extensive iron ore stripping operations at its Argonaut Iron Hill mine. After milling the ore is sold for export principally to the Japanese steel industry.

Left: At its Ozark-Philpott coal mine in Arkansas, a Utah Construction Company 18-yard electric shovel is stripping overburden from a coal seam. Coal mined from this stripping operation is sold under contract to a major steel producer.

more than 80 per cent of the beneficial stock of three companies that are concerned with the mining, sales, and shipment of Peruvian iron ore. For these companies the year 1955 was one of transition. From the opening of the mine in 1953 until the beginning of 1955 the entire output had been sold to one user under a long-term contract expiring December 31, 1954, and all ocean shipments were made in chartered vessels. During 1955 great progress was made in obtaining a sound long range basis of operations. By October 1955, Marcona ore was being shipped to users in the United States and Germany under 19 sales contracts, and the ore was in increasing demand. Plans were initiated to attain lower ocean freight costs and to gain freedom from the violent fluctuations in shipping costs that characterize the charter market.

During 1955 Marcona Mining Company made further progress in extending its reserves, reducing its mining costs, and completing construction of additional housing for its personnel, schools for the children, and the installation of a seawater distillation plant. During the year the company retired all of its outstanding first preferred stock and \$1,000,000 of

its second preferred stock, leaving outstanding \$5,000,000 of second preferred stock of which Utah Construction Company holds one-half. Preferred dividends were paid currently and a common dividend of \$3.00 a share was declared during the year. While the profits were depressed in 1955 by reduced shipments and lower realizations during the early months of the year, net income was restored to more normal levels by the close of the year. The outlook for 1956 appears favorable with the availability of shipping the limiting factor on production and sales volume.

Cia San Juan, S. A., which handles the sales and shipment of Marcona ore, took two important steps to attain shipping economies and greater control over shipping costs. Through its wholly owned subsidiary San Juan Carriers, Ltd. orders were placed for the purchase of two large specialized ore carriers which are being constructed in Japanese shipyards and will go into service in 1956. Also arrangements were made for long term charters for additional large ore carriers to carry Marcona ore. As a result the cost of ocean shipping should be reduced in 1956 and subsequent years.

Pima Mining Company

In August 1955, Utah Construction Company acquired a 25 per cent interest in the Pima Mining Company. Union Oil Company of California also holds a 25 per cent interest and the balance of the stock is held by Cyprus Mines Corporation. The Pima Mining Company controls a copper deposit near Tucson, Arizona, which it plans to develop as rapidly as possible as an open-pit mine. Utah Construction Company has been selected to construct the mill and to perform the preliminary stripping required to bring the mine into operation. Utah Construction Company also performed under contract certain engineering and geological studies evaluating the property. From all appearances the nature of the deposit and the market outlook for copper indicate that Pima Mining Company will be a profitable venture.

Lucky Mc Uranium Corporation

Utah Construction Company entered into an agreement giving it an option under certain terms and conditions to acquire 60 per cent of the

capital stock of Lucky Mc Uranium Corporation, a corporation controlling certain lands in Wyoming that give favorable indications of containing extensive quantities of low grade uranium susceptible to open pit mining methods. Studies are under way to determine more accurately the nature and the extent of the uranium ore deposit, the metallurgical treatment required to treat the ore properly, and designing of a mill and other matters which will determine the likelihood of developing this property as a profitable mining operation. This work has not progressed sufficiently far at this time to allow us to reach any definite conclusions.

General

Your company also engaged actively in exploration and development of other prospective mineral properties, and options were acquired on certain lands containing favorable indications for coal, uranium, and iron ore. Additional development work must be performed before the nature and extent of these properties can be accurately evaluated.

FINANCIAL SUMMARY

Utah Construction Company continues in sound financial condition. In the opinion of your management its assets are conservatively valued and its capital is ample to carry out its undertakings.

In addition to its wholly owned subsidiaries, Utah Construction Company owns stock in 37 affiliated companies, of which one is Permanente Cement Company, five are concerned with mining or shipping, two with heavy construction and in process of liquidation, one with grain elevator operations, and 28 with the construction or ownership of housing developments.

These investments are carried on our books at cost which is far below their indicated value. Because Permanente Cement Company stock is the only stock of those held which is actively traded, it is difficult to state accurately the market value of these investments if they were to be sold. During 1955, Utah Construction Company distributed 8,670 shares of Permanente Cement Company stock as a dividend, reducing its remaining holdings to 115,033 shares. During the year the market value of Permanente Cement Company stock increased from \$21.125 to \$33.00 a share with the result that our remaining holdings of Permanente Cement Company stock had a market value as of October 31, 1955, of \$3,796,089 compared to a carrying cost on our books of \$235,295. Our share of the underlying book value of subsidiary and affiliated companies, other than Permanente Cement Company stock and after allowances for possible losses, indicates a value of approximately \$10,600,000 compared to a carrying cost of \$4,208,827 on the books of Utah Construction Company.

Other fixed assets are believed to be conservatively valued. During the year it was necessary to revise upward the net book value of certain items of construction equipment to conform with a tentative settlement reached

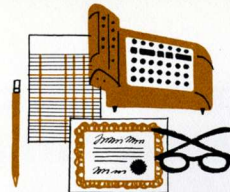
with the Bureau of Internal Revenue regarding depreciation policies and salvage values. Provision was made for the additional income taxes payable when final agreement is reached. The difference between the amount of the depreciation adjustment on the equipment and the additional taxes payable was credited to Earned Surplus and amounted to \$956,846.

Because of the tremendous increase in the volume of contracts entered into during the year it was necessary to revise our Loan Agreement and to provide for additional bank credits to carry out the work on hand. Accordingly Utah Construction Company entered into a Term Loan Agreement dated July 18, 1955, with its banks whereby a line of credit for \$11,000,000 was extended. Of this amount \$6,000,000 is in the form of a Term Loan with annual payments of \$750,000 at the end of the second, third, and fourth years, and the balance of \$3,750,000 at the end of the fifth year. The remaining \$5,000,000 is made available in the form of a revolving credit which can be borrowed and repaid from time to time until July 18, 1960.

As of October 31, 1955, the net worth of Utah Construction Company was \$18,763,113 or equivalent to \$21.38 a share. This compares with the net worth at the close of the preceding year of \$16,929,608 or \$19.29 a share.

Dividends

During 1955 dividends of 90 cents a share in cash and 1/100 of a share of Permanente Cement Company stock were distributed to stockholders. This compares with 90 cents a share in cash and 1/70 of a share of Permanente Cement Company stock paid during 1954.



EMPLOYEE RELATIONS AND BENEFITS

Utah Construction Company enjoyed good relations with its employees and is greatly indebted to them for their part in making possible the achievements of the past year.

Utah Construction Company continued in effect its group insurance covering 454 of its permanent employees and their families. Our Group Insurance Plan provides the employees with life insurance as well as hospital, surgical, medical, polio, and accident benefits. Group life insurance amounts to \$3,268,000 and coverage ranges from \$2,000 to \$20,000 for individual policies. During the year 349 claims were paid affecting 250 employees and members of their families. The cost of this program was \$147.28 for each employee covered, a total of \$66,865.

For the year 1955 Utah Construction Company contributed \$290,513 to the Retirement Plan Based On Profit Sharing. This was the maximum amount permitted under the Plan which limits the contribution to 15 per cent of participating payroll. No contribution was required during the preceding year, although the Board of Directors distributed among the members of the Plan \$50,000 appropriated from surplus and reported to you last year. During the year the Plan had a net gain of 4 members, bringing the total to 257. Benefits of \$8,238 were paid out to retiring or terminating employees. During the year the Retirement Plan was revised in a manner which your Board of Directors believes will better accomplish the purposes for which the Plan was established.

During the year George R. Putnam retired as Vice President. Mr. Putnam served as Manager of the Salt Lake District and achieved a fine record of accomplishment during his 20 years of faithful service. He retires with the best wishes of all fortunate enough to serve with him.

ARTHUR ANDERSEN & CO.
ACCOUNTANTS AND AUDITORS

405 MONTGOMERY STREET
SAN FRANCISCO 4

To the Board of Directors,
Utah Construction Company:

We have examined the balance sheet of UTAH CONSTRUCTION COMPANY (a Utah corporation) as of October 31, 1955, and the related summaries of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and summaries of income and retained earnings present fairly the financial position of Utah Construction Company as of October 31, 1955, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

San Francisco, California
December 13, 1955

UTAH CONSTRUCTION

COMPANY

Balance Sheet—October 31, 1955

Assets

CURRENT ASSETS:

Cash		\$ 2,491,247
Receivables—		
Construction accounts and retained percentages	\$ 3,489,284	
Other	1,845,374	5,334,658
Unbilled costs on work in progress		105,774
Inventories, at cost or net realizable value—		
Construction materials and supplies	\$ 814,202	
Iron ore and coal	212,394	1,026,596
Total current assets		\$ 8,958,275

INVESTMENTS AND OTHER ASSETS:

Common stock of Permanente Cement Company (quoted market value \$3,796,089)	\$ 235,295	
Capital stocks and receivables, at cost—		
Wholly-owned subsidiaries	3,104,580	
Other affiliated companies	3,560,182	
Interest in joint ventures	4,616,878	
Land held for development and sale	3,186,248	
Facilities on construction projects (less accumulated amortization of \$928,832)	1,267,249	
Prepaid expenses, deposits and miscellaneous	612,594	16,583,026

PROPERTY, PLANT AND EQUIPMENT:

	Cost	Accumulated Depreciation and Amortization	Net
Land, buildings and improvements	\$ 345,374	\$ 106,835	\$ 238,539
Mining properties	2,427,755	1,911,365	516,390
Equipment	13,410,980	5,456,222	7,954,758
Furniture and fixtures	312,701	144,722	167,979
	<u>\$16,496,810</u>	<u>\$7,619,144</u>	<u>\$ 8,877,666</u>
			<u>\$34,418,967</u>

Liabilities

CURRENT LIABILITIES:

Current installments of notes and contracts payable—due within one year	\$ 69,985
Accounts payable	3,541,238
Accrued payrolls, general taxes and other liabilities	726,917
Current portion of provision for Federal income taxes	250,000
Total current liabilities	<u>\$ 4,588,140</u>

LONG-TERM LIABILITIES:

Term bank loan, due in annual installments of \$750,000 beginning July 18, 1957, with balance payable July 18, 1960	\$ 8,500,000
Notes and contracts payable, due in variable annual installments to January 4, 1965	1,085,015
Noncurrent portion of provision for Federal income taxes (partially applicable to recorded income from joint ventures not taxable until subsequent years)	<u>1,482,699</u>
	11,067,714

STOCKHOLDERS' EQUITY:

Capital stock, par value \$2 per share—	
Authorized—1,000,000 shares	
Issued and outstanding—877,537½ shares	\$ 1,755,075
Retained earnings (\$13,244,925 restricted under bank loan agreement)	<u>17,008,038</u>
	<u>18,763,113</u>
	<u>\$34,418,967</u>

UTAH CONSTRUCTION COMPANY

SUMMARIES OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED OCTOBER 31, 1955

Summary of Income

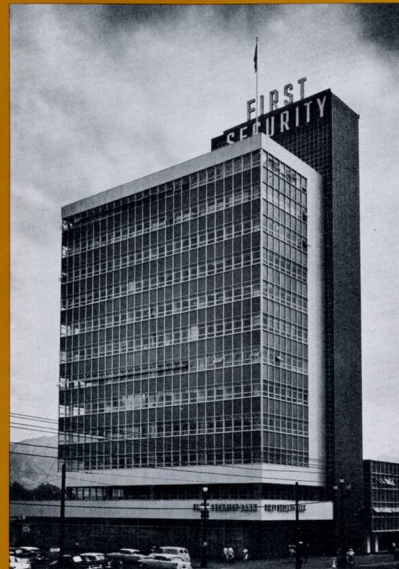
INCOME:			
Gross profit from construction and mining operations			\$ 2,577,622
Dividends received			939,412
Gain on sale of property and equipment			353,342
Gain on sale and liquidation of investments			314,052
Other			181,949
			<u>\$ 4,366,377</u>
EXPENSES:			
General and administrative expenses	\$1,938,825		
Interest	240,003	2,178,828	
Net income before provision for Federal income taxes		\$ 2,187,549	
PROVISION FOR FEDERAL INCOME TAXES		450,000	
Net income for the year		<u>\$ 1,737,549</u>	

Summary of Retained Earnings

BALANCE OCTOBER 31, 1954			\$15,174,533
ADD:			
Net income for the year		1,737,549	
Restatement of prior years' depreciation on equipment, less applicable Federal income taxes		956,846	
		<u>\$17,868,928</u>	
DEDUCT:			
Dividends on capital stock—			
Cash—\$.90 per share	\$ 789,784		
Securities, at cost (market value \$277,440)	21,106		
	<u>\$ 810,890</u>		
Cash bonus paid to employees in lieu of 1954 contribution to retirement plan fund	50,000	860,890	
BALANCE OCTOBER 31, 1955			
(\$13,244,925 restricted under bank loan agreement)		<u>\$17,008,038</u>	

The First Security Fourth South Building completed during 1955 is the newest and tallest office structure in Salt Lake City, Utah. The First Security Bank of Utah, N. A., engaged Utah Construction Company to construct this building and also additions to its other existing buildings in Salt Lake City.

UTAH CONSTRUCTION COMPANY



BOARD OF DIRECTORS

MARRINER S. ECCLES, *Chairman*
MARRINER A. BROWNING
ALLEN D. CHRISTENSEN
L. S. COREY
L. T. DEE
GEORGE S. ECCLES
W. H. HARRIS
E. W. LITTLEFIELD
SHEPARD MITCHELL
P. L. WATTIS

OFFICERS

MARRINER S. ECCLES, *Chairman of the Board*
ALLEN D. CHRISTENSEN, *President and General Manager*
E. W. LITTLEFIELD, *Vice President, Secretary and Treasurer*
C. S. DAVIS, *Vice President*
FRANK M. KELLER, *Vice President*
GUY V. SPERRY, *Chief Engineer*
J. M. HERRIGAN, *Controller and Assistant Treasurer*
CHARLES W. ROBINSON, *Assistant Treasurer*

EXECUTIVE COMMITTEE

MARRINER S. ECCLES
ALLEN D. CHRISTENSEN
E. W. LITTLEFIELD